FILED
JUL 6 1961
JAMES R. BROWNING Clerk

IN THE

Supreme Court of the United States

October Term, 1961.

No. 207

ROBERT E. MILLER,

Petitioner,

v.

CARL WELLER, EMILY I. WELLER, EVERETT WELLER, ROY WELLER, MAMIE WELLER, NORMAN E. RITTER and MARJORIE HESTER, Formerly Trading as WELLER MANUFACTURING CO., a Partnership,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

ABRAHAM E. FREEDMAN,
ALEXANDER B. ADELMAN,
NATHAN LAVINE,
LE ROY COMANOR,
MELVIN LASHNER,
Counsel for Petitioner.

ADELMAN & LAVINE,
700 Bankers Securities Bldg.,
Philadelphia 7, Pa.,
Of Counsel.

July 5, 1961.

International, 711 So. 50th St., Phila. 43, Pa.

INDEX.

	Page
CITATIONS TO OPINIONS BELOW	2
JURISDICTION	2
QUESTION PRESENTED	2
STATEMENT OF THE CASE	3
REASONS FOR GRANTING THE WRIT	5
CONCLUSION	7
APPENDIX:	
Opinion of the United States Court of Appeals for the Third Circuit, Filed February 2, 1961	9
Order of the United States Court of Appeals for the Third Circuit, Dated February 2, 1961	10
Opinion of the United States Court of Appeals for the Third Circuit, Filed March 14, 1961	11
Judgment of the United States Court of Appeals for the Third Circuit, Dated March 14, 1961	15
Opinion Sur Rehearing of the United States Court of Appeals for the Third Circuit, Filed April 7, 1961	16
Order Sur Petition for Rehearing of the United States Court of Appeals for the Third Circuit, Dated April 7, 1961	17

STATUTE CITED.

	Page
28 U. S. C., Section 1254(1)	2

IN THE

Supreme Court of the United States.

OCTOBER TERM, 1961.

No. .

ROBERT E. MILLER,

Petitioner,

v.

CARL WELLER, EMILY I. WELLER, EVERETT WELLER, ROY WELLER, MAMIE WELLER, NORMAN E. RITTER AND MARJORIE HESTER, FORMERLY TRADING AS WELLER MANUFACTURING CO., A PARTNERSHIP,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

Robert E. Miller, petitioner, prays that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Third Circuit entered in the above entitled case on March 14, 1961.

CITATIONS TO OPINIONS BELOW.

The opinion of the District Court, printed in Appellants' Appendix, pp. 80a-84a, is reported in 184 F. Supp. 95. The opinions, orders and judgment of the Circuit Court of Appeals, printed in Appendix hereto, *infra*, pp. 9-17, are reported in — F. 2d —.

JURISDICTION.

The judgment of the Circuit Court of Appeals was entered on March 14, 1961. Rehearing was denied on April 7, 1961. The jurisdiction of this Court is invoked under 28 U. S. C., Section 1254(1).

QUESTIONS PRESENTED.

1. Where summary judgment given by the District Court in plaintiff's favor is predicated on the ground that the term "damages" clearly encompasses, as a matter of law, the entire fruit of a patent infringement litigation, does not a reversal by the Circuit Court of Appeals, which gives summary judgment to the defendant, deny the plaintiff the right to have decided by a jury the factual issue of what the parties contemplated by use of the term "damages"?

2. May the Circuit Court of Appeals, as a matter of law, confine and narrow the definition of the term "damages" so as to render it inapplicable to money payments to be made in the future under a comprehensive settlement of a patent infringement suit, merely because said payments were cast in the form of royalties?

STATEMENT OF THE CASE.

This is an action based on a written agreement whereby plaintiff retired from a partnership composed of himself and defendants (R. 6-10). Plaintiff filed his complaint on September 10, 1958, claiming that under the retirement agreement he is entitled to share in royalties obtained by the partnership subsequent to his retirement as the result of a patent infringement suit by the partnership against Wen Products, Inc., and Nicholas D. Anton, owner and president of Wen (R. 3-5). The jurisdiction of the District Court was invoked because of diversity of citizenship, the plaintiff being a citizen of Florida, and the defendant a citizen of Pennsylvania.

The partnership from which petitioner retired owned a patent covering electrical soldering guns. The partnership sued Wen Products, Inc. and its owner and president, Nicholas D. Anton, for patent infringement. The suit was pending when petitioner retired from the partnership.

The retirement agreement, dated February 25, 1955, contained the following provision:

> "4. The continuing partners shall pay to the retiring partner (the petitioner herein) the following sums in liquidation of his interest:
>
> • • •
>
> "c. An amount equal to fifteen (15%) percent of any damages collected by the partnership subsequent to the date of this agreement (whether by award of court or jury, or by an out-of-court settlement of any type whatsoever) by reason of the following actions which are presently in litigation; and both of which are in the United States District Court for the Northern District of Illinois, Eastern Division:

"Weller Manufacturing Company, et al

vs.

"Wen Products, Incorporated, and Nicholas T. Anton, Defendants being Civil Action No. 526714 .-. ."

Wen defended the partnership's suit on the ground that the patent was invalid. The District Court held the patent valid and infringed, 121 F. Supp. 198, and the Court of Appeals for the Seventh Circuit affirmed, 231 F. 2d 795. The District Court had referred the question of damages to a master, but before the master's hearings on damages commenced, negotiations were entered into by the partnership and Wen Products, Inc. with a view towards reaching a settlement.

The negotiations were complicated by several factors. First, after the adverse decision of the District Court, Wen stopped making soldering guns with copper tips and changed to guns with steel tips, contending that steel tips did not infringe. The partnership was obliged to concede that this contention had merit. Secondly, although Wen manufactured and sold approximately 400,000 units during the period of infringement, and the partnership's own profit per gun averaged $1.30, it would have been idle for the partnership to insist on a payment of $520,000.00 (single damages) as "damages" because of Wen's poor financial status. Moreover, Wen threatened to dissipate its total assets of $100,000.00 in further litigation should not the partnership grant it a license.

Said negotiations culminated in a comprehensive package settlement agreement whereby:

1) Wen conceded Weller's proprietary interest in steel tip guns,

2) Wen paid $100,000.00 cash and deferred payments of $150,000.00 (labeled "damages") and re-

ceived from the partnership a license to make and sell steel tip as well as copper tip guns under which Wen was to pay an additional amount, labeled "royalties".

Petitioner brought this suit, claiming a right to receive fifteen percent of the royalty payments made by Wen to Weller. The District Court ruled in petitioner's favor, Judge Grim holding the license, as much as the money, to be the "fruit of the patent litigation" (R. 84). The Court of Appeals reversed on a 2-1 decision, the majority holding the word "damages" to be a "word of art" to be narrowly construed (R. 12).

REASONS FOR GRANTING THE WRIT.

1. The necessary result of the opinion of the Circuit Court of Appeals is to limit the meaning of the word damages in any contract dealing with the settlement of patent litigation.

2. The majority of the Court below gave effect to the form of the settlement package rather than its substance. The labels "royalties" and "damages" were permitted to obscure the fact that the settlement as a whole forms the basis of the consideration received by the appellants as the result of the entire Wen litigation. The only way that respondents could obtain the full amount of damages coming to them was to enable the Wen concern to continue its operations. Hence the money payment in the form of royalties was clearly "the fruit of the patent litigation" (R. 84).

Settlement of the question by this Court would aid in the disposition of other patent actions in clarifying whether the term "damages" cannot take its meaning from the circumstances and context surrounding its usage.

3. The issue involved herein has been presented to four learned judges of two courts who, in three separate Opinions, have been evenly divided, two for the petitioner and two for the respondents. Because of this divergence of opinion it is respectfully submitted that the Supreme Court should decide this case.

4. The entry of summary judgment by the Circuit Court of Appeals in favor of the defendant and reversing thereby the entry of summary judgment by the District Court in favor of the plaintiff precludes the plaintiff from having a jury determine the factual circumstances surrounding the usage of the term "damages" in the partnership withdrawal agreement, particularly the phrase *"any damages"* obtained in "an out of court settlement of *any type whatsoever"*.

CONCLUSION.

For the foregoing reasons, the petition for a Writ of Certiorari should be granted.

Respectfully submitted,

ABRAHAM E. FREEDMAN,
ALEXANDER B. ADELMAN,
NATHAN LAVINE,
LE ROY COMANOR,
MELVIN LASHNER,
Counsel for Petitioner.

ADELMAN & LAVINE,
700 Bankers Securities Bldg.,
Philadelphia 7, Pa.,
Of Counsel.

July 5, 1961.

Certificate of Counsel.

We hereby certify that the foregoing petition is presented in good faith and not for delay.

ABRAHAM E. FREEDMAN,
ALEXANDER B. ADELMAN,
NATHAN LAVINE,
LE ROY COMANOR,
MELVIN LASHNER,
Counsel for Petitioner.

APPENDIX.

OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

(Filed February 2, 1961)

Argued January 9, 1961

Before GOODRICH, MCLAUGHLIN and FORMAN, *Circuit Judges.*

PER CURIAM

This is an appeal from the judgment of the District Court for the Eastern District of Pennsylvania in favor of the plaintiff in a suit to recover under right claimed under the contract made between the parties. The defendant has appealed. This is a diversity case and that is the only ground of federal jurisdiction. The parties have not raised the point but we must. There is no allegation in the plaintiff's complaint of the citizenship of the defendants. Plaintiff alleges he is a Florida citizen but, of course, in the absence of diversity the federal court has no jurisdiction. Section 1653 of 28 U. S. C. provides, however:

> "Defective allegations of jurisdiction may be amended, upon terms, in the trial or appellate courts."

Pursuant to this statute the plaintiff may, if he can, file an amendment within twenty days which shall state positively that the defendants were citizens of a state other than Florida at the commencement of this action. *Mantin v. Broadcast Music, Inc.*, 244 F. 2d 204 (9th Cir. 1957). Otherwise the action must be dismissed for want of jurisdiction.

ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

Present: GOODRICH, MCLAUGHLIN and FORMAN,
Circuit Judges.

It is ORDERED that plaintiff be and is hereby granted leave to file an amendment to the complaint within twenty days from the date of this order which shall state positively that the defendants were citizens of a state other than Florida at the commencement of this action. Otherwise the action will be dismissed for want of jurisdiction.

Attest:

IDA O. CRESKOFF,
Clerk.

February 2, 1961

OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

(Filed March 14, 1961)

Argued January 9, 1961

Before GOODRICH, MCLAUGHLIN and FORMAN, *Circuit Judges.*

By GOODRICH, *Circuit Judge.*

This is an appeal from a summary judgment for the plaintiff in a suit for an accounting and damages based on a partnership withdrawal agreement. Federal jurisdiction is based on diversity.[1] While the facts are not so very clear the negotiation of the contract and its performance all seem to have a Pennsylvania setting and the law of Pennsylvania is, therefore, applicable. Pa. Annots., Restatement, Conflict of Laws § 332 (1936). The plaintiff, Miller, was a retiring member from a partnership composed of himself and the defendants. Most of the terms governing the amounts to be paid to Miller were clear to both parties and payments have been made as promised.

One of the terms of the contract, however, was that Miller was to receive 15% of "any damages collected by the partnership subsequent to the date of this agreement (whether by award of court or jury, or by an out-of-court settlement of any kind whatsoever)" in a suit which was then pending by the partnership against the corporation

---

1. The complaint originally filed in this action imperfectly alleged diversity. We followed the procedure provided in 28 U. S. C. § 1653. See our opinion in Miller v. Weller, F. 2d (3d Cir. 1961). The plaintiff has now amended his complaint to show the requisite allegations without objection by the defendants. We therefore have jurisdiction and proceed to the decision of the case.

known as Wen Products, Inc. and an individual defendant named Anton.

This suit mentioned was being contested in federal courts in Illinois and eventually the plaintiffs (the partners) got a judgment upholding the validity of their patent and sustaining their claim of infringement. Before any master's report on damages, however, the parties after some period of negotiation settled the case. They settled it by the defendants (Wen and Anton) agreeing to pay $250,000 damages for their infringement and the Weller Company, in turn, gave the defendants in the patent suit a license with a royalty provision of 7½%.[2] Now, Miller, having received the stipulated portion of the $250,000 paid claims that he is entitled to 15% of the royalties received by Weller and the trial court agreed with him.

We agree that the case was one for summary judgment but we think the judgment went to the wrong party. This was a contract drawn by lawyers.[3] They used words of art. "Damages," we think, is a word of art with a rather definite meaning. It is something paid in recompense for an infringement of a plaintiff's legal right by the defendant's liability-creating conduct.[4] Damages for

---

2. By the terms of this agreement the license was granted as of the date of the agreement (May 1, 1956), and the $250,000 was to be "in complete settlement of all claims . . . for past damages."

3. The appellee's brief states:

> "The agreement in question was drafted by counsel and counsel witnessed the signatures of the parties." *Id.* at 8, n. 4

4. "Damages means compensation for a legal injury sustained." Sechrist v. Bowman, 307 Pa. 301, 310, 161 A. 2d 332, 335 (1932).

See Balantine, Law Dictionary, "Damages" (1930); Bouvier, Law Dictionary, "Damages" (1914); Joyce, Damages § 2 (1903). See also Paul v. Hood, 271 Wis. 278, 73 N. W. 2d 412 (1955); Kanter v. Safran, 68 So. 2d 553 (Fla. 1953); Freigy v. Gargaro Co., 223 Ind. 342, 60 N. E. 2d 288 (1945); Perkins v. Benguet Consol. Mining Co., 55 Calif. App. 2d 720, 132 P. 2d 70 (1942).

patent infringement are compensation awarded to the patentee for a legal injury to his rights, compensation for an injury actually undergone.[5] The Pennsylvania courts have said, citing the Restatement, that when parties use words of art in an agreement the usual meaning of the word of art is to be applied in deciding what the contract means.[6]

When the meaning of a word is so generally recognized in the law and when in a contract the word is used in an agreement which lawyers have drawn up and had their clients sign, we think that meaning for the word is to be applied in deciding what the obligations of the agreement are. To vary that meaning under these circumstances is, we think, contrary to the general rule that when the parties have "memorialized" their agreement in a written contract that instrument defines the extent of their obligations.[7]

The foregoing being our view of this case, the district court incorrectly decided it. The plaintiff has received his contractual share of the damages paid. He is not entitled to any part of the royalties received or to be received.

The judgment of the district court will be reversed and the case will be remanded with directions to enter judgment for the defendant.

---

5. Birdsall v. Coolidge, 93 U. S. 64 (1876). The statutory language is "damages adequate to compensate for the infringement . . ." 35 U. S. C. A. § 284.

6. Fischer & Porter Co. v. Porter, 364 Pa. 495, 72 A. 2d 98 (1950), citing Restatement, Contracts § 235(b) (1932). *Cf.* the Pennsylvania Statutory Construction Act, Pa. Stat. Ann., tit. 46, § 533 (1952).

7. See Waldman v. Shoemaker, 367 Pa. 587, 80 A. 2d 776 (1951); Williston, Contracts § 632 (rev. ed. 1936); Restatement, Contracts § 230, comment b (1932).

Re: Miller v. Weller, et al., No. 13,377

McLAUGHLIN, *Circuit Judge*, dissenting.

I agree with the opinion of the district judge, 184 F. Supp. 95 (E. D. Pa. 1960), that the license, from which the disputed royalties flow, is just as much the direct result of the patent litigation as the actual cash paid by Wen. The facts support the trial court's conclusion "• • • that without getting the license Wen would not, in all probability, have paid any money, whether under a settlement or a final judgment." It follows, as Judge Grim said, that "The license, therefore, • • • is comprehended within the term 'damages', particularly in view of the inference to 'an out-of-court settlement of any type whatsoever.' "

I would affirm the judgment of the district court.

JUDGMENT OF THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

Present: GOODRICH, MCLAUGHLIN and FORMAN,
Circuit Judges.

This cause came on to be heard on the record from the United States District Court for the Eastern District of Pennsylvania and was argued by counsel

On consideration whereof, it is now here ordered and adjudged by this Court that the judgment of the said District Court in this case be, and the same is hereby reversed, with costs, and the case remanded with directions to enter judgment for the defendant.

Attest:

IDA O. CRESKOFF,
Clerk.

March 14, 1961

OPINION SUR REHEARING OF THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

(Filed April 7, 1961)

Before GOODRICH, MCLAUGHLIN and FORMAN, *Circuit Judges.*

PER CURIAM.

After due consideration the petition for rehearing in the above-entitled case is hereby denied.

MCLAUGHLIN, *Circuit Judge,* dissenting.

In dissenting to the denial of the powerful petition for rehearing filed in this cause, I repeat my dissent to the opinion of the majority on the merits of this appeal.

ORDER SUR PETITION FOR REHEARING OF THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

Present: GOODRICH, MCLAUGHLIN and FORMAN,
Circuit Judges.

After due consideration the petition for rehearing in the above-entitled case is hereby denied.

Attest:

IDA O. CRESKOFF,
Clerk.

Dated: April 7, 1961